

Message Text

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PAGE 01 BRASIL 05915 062016Z

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ACTION SS-30

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4933

C O N F I D E N T I A L BRASILIA 5915

EXDIS

E.O. 11652: GDS

TAGS: ETRD, BR, US

SUBJECT: COUNTERVAILING DUTIES ON SHOES

REF: STATE 163985, STATE 169605

1. I DELIVERED THE FIRST-PERSON NOTE AND THE SECRETARY'S LETTER ON SHOES TO FOREIGN MINISTER SILVEIRA LAST EVENING (AUGUST 5).

2. EARLIER IN THE DAY I HAD HAD LUNCH WITH FOREIGN MINISTER SIMONSEN. THE FINATT ACCOMPANIED ME, AND THE MINISTER HAD WITH HIM HIS "SHOE TEAM." CLEARLY INDICATING THAT HE AND SILVEIRA HAD DISCUSSED THE QUESTION OF THE RELATIVE WEIGHT IN THE GOB'S CALCULATIONS OF (A) THE BENEFITS TO THE LOCAL SHOE EXPORTERS OF A QUICK US ANNOUNCEMENT OF THE DECISION AND (B) THE POLITICAL ADVANTAGES OF HAVING THE DECISION ON BRAZIL ACCOMPANIED BY ONE OR ANOTHER COUNTRY OR COUNTRIES (BRASILIA 5705), SIMONSEN SAID THAT SILVEIRA WAS RIGHT ABOUT THE POLITICAL IMPORTANCE OF SIMULTANEOUS ANNOUNCEMENTS. HE DID ADD THAT THE SHOE INDUSTRY HAD A REAL PROBLEM IN CLOSING CONTRACTS AND HE EXPRESSED THE HOPE THAT SIMULTANEOUS ANNOUNCEMENTS COULD BE MADE QUICKLY. I TOLD HIM THAT I HAD AN IMPRESSION, AND ONLY AN IMPRESSION, THAT THERE WAS SOME POSSIBILITY THAT SIMULTANEOUS ANNOUNCEMENTS MIGHT BE MADE AND THAT THIS MIGHT OCCUR IN ABOUT TWO WEEKS. SIMONSEN SAID THAT, IF THAT TIMING WERE POSSIBLE, THE SHOE INDUSTRY WOULD BE "ALL RIGHT."

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 05915 062016Z

3. SIMONSEN THEN ASKED WHETHER, IN THE EVENT OF A SIGNIFICANTLY LONG DELAY, IT WOULD BE POSSIBLE TO MEET BOTH THE POLITICAL AND ECONOMIC NEEDS BY AN ARRANGEMENT THAT WOULD IN EFFECT GIVE THE BRAZILIAN SHOE INDUSTRY FIRM AND PROMPT NOTICE OF THE RATE OF THE DUTY TO BE APPLIED AND AN ESTIMATED DATE OF EFFECTIVE APPLICATION, THAT DATE TO BE THE DAY OF THE SIMULTANEOUS ANNOUNCEMENTS. I DISCOURAGED THIS, SAYING THAT I BELIEVED THIS WOULD BE A DIFFICULT THING FOR TREASURY TO DO. I DID SAY THAT I WOULD PASS IT ON. SIMONSEN AND HIS STAFF ALSO TOLD US THAT THEY WERE SUPPLYING ADDITIONAL INFORMATION TO THE LAWYER (HEMMENDINGER, PRESUMABLY) ABOUT THE INCOME TAX COMPONENT OF THE INCENTIVE.

4. AS SILVEIRA WAS READING THE NOTE, HE COMMENTED THAT WE WERE GOING TO LOOK FOR AN "INTERNATIONAL SOLUTION" (PARA 6 OF THE NOTE). I REPLIED THAT, AS HE KNEW, WE HAD IN GATT INDICATED OUR READINESS TO CONSIDER NEW INTERNATIONAL RULES ON SUBSIDIES AND COUNTERVAILING DUTIES. I WENT ON TO POINT OUT THAT, AS THE NOTE STATED, WE MEANWHILE HAD TO APPLY THE LAW. WHEN SILVEIRA REACHED THE END OF THE SECRETARY'S LETTER, HE COMMENTED THAT THE TROUBLE WITH THE CONTINUATION OF THE TECHNICAL-LEVEL TREATMENT WAS THAT "THE PROCESS JUST RUNS." I REPLIED THAT THE PURPOSE OF THE NOTE AND THE LETTER WAS TO MAKE CLEAR THAT THE MATTER COULD NOT BE TREATED AS A POLITICAL ONE. HE MADE A NOISE SOMETHING LIKE A GRUNT.

5. SILVEIRA THEN STATED THAT HE HAD TALKED TO SIMONSEN AFTER OUR LAST CONVERSATION. I SAID THAT I KNEW HE HAD AND THAT SIMONSEN HAD TOLD ME THAT HE HAD ACCEPTED SILVEIRA'S POLITICAL POINT OF VIEW. I THEN REPEATED TO SILVEIRA WHAT I HAD TOLD SIMONSEN ABOUT POSSIBLE TIMING, SAYING THAT SIMONSEN HAD INDICATED THAT THE SHOE INDUSTRY COULD LIVE WITH THE KIND OF DELAY THAT THAT POSSIBILITY ENVISAGED. SILVEIRA VERY FIRMLY REPLIED THAT THE SHOE INDUSTRY'S SITUATION WAS "NOT THE CENTRAL POINT." WHAT WAS IMPORTANT, HE SAID, WAS THE INCLUSION OF OTHER COUNTRIES. HE CONCLUDED: "WE MUST BE COHERENT IN OUR POLICY."

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 05915 062016Z

6. SILVEIRA AND I THEN DISCUSSED OTHER MATTERS (SEE SEPTELS) AT MEASURABLE LENGTH. WE DID NOT RETURN TO THE SHOE QUESTION.

7. COMMENT: (A) I BELIEVE THAT THERE NOW CAN BE NO DOUBT IN THE GOB'S MIND ABOUT THE CLEAR, COURTEOUS AND FINAL REJECTION BY THE USG OF THE POLITICAL ARGUMENT. THE NOTE AND THE LETTER WERE EXCELLENT IN THEIR

SUBSTANCE AND TONE.

(B) I AM SATISFIED THAT SILVEIRA HAS, AS WE EXPECTED, WON OUT IN THE INTERNAL DEBATE OVER THE ISSUE OF THE "COVER" TO BE GIVEN BRAZIL BY SIMULTANEOUS ANNOUNCEMENTS AND THAT HE INTENDS TO STAND FIRM. THUS, TWO PROBLEMS REMAIN: THE LEVEL OF DUTY TO BE APPLIED AND THE AVAILABILITY WITHIN A REASONABLE SPACE OF TIME (I WOULD HOPE NOT LATER THAN SEPTEMBER 1) OF ANOTHER COUNTER-AVAILABLE COUNTRY. I WOULD APPRECIATE A CURRENT WASHINGTON ESTIMATE ON BOTH.

8. ADMINISTRATIVE NOTE: I HAVE MADE THIS EXDIS BECAUSE OF THE NEED TO REFER TO THE SECRETARY'S LETTER, ALTHOUGH I DEDUCE FROM THE REFERENCE IN PARA 2 OF STATE 167833 AND THE CITATION OF EXDIS MESSAGE NUMBERS IN "OPEN" TELEGRAMS THAT I MAY BE EXCESSIVELY PURE. PLEASE LET ME KNOW HOW RIGIDLY THE DEPT WANTS THE DISTRIBUTION LIMITATION RESPECTED.
CRIMMINS

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